

## Message Text

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PAGE 01 OTTAWA 01656 280154Z

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

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TO SECSTATE WASHDC IMMEDIATE 9588

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POUCHED ALL CONSULATES IN CANADA

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJ: CANADIAN ENERGY STRATEGY

1. MINISTER OF ENERGY, MINES AND RESOURCES GILLESPIE TABLED IN HOUSE OF COMMONS THIS AFTERNOON (APRIL 27) A MAJOR GOVERNMENT PAPER (170 PAGES) ENTITLES "AN ENERGY STRATEGY FOR CANADA: POLICIES FOR SELF-RELIANCE". (FOCUS OF PAPER IS LARGELY ON OIL AND GAS WHICH CURRENTLY ACCOUNT FOR ABOUT 65 PERCENT OF TOTAL CANADIAN ENERGY CONSUMPTION AND WHICH ARE EXPECTED TO CONTINUE TO BE MOST IMPORTANT ENERGY SOURCE OVER NEXT 15 YEARS.)

2. FIRST SECTION OF PAPER BRIEFLY REVIEWS CANADIAN ENERGY POLICY OVER THE PAST TWO YEARS AND THEN DESCRIBES MEDIUM-TERM (1976-1990) ENERGY PROSPECTS IN TERMS OF A TWO-SCENARIO APPROACH: ONE BASED ON CONTINUATION OF CURRENT DOMESTIC ENERGY PRICES AND A SECOND WHICH ASSUMES ADJUSTMENT TO CURRENT INTERNATIONAL ENERGY PRICES OVER A PERIOD OF YEARS. THESE SCENARIOS SUGGEST THAT AT BEST, CANADIAN RELIANCE ON FOREIGN OIL SUPPLIES IN 1985 WOULD BE AS MUCH AS 40 PERCENT AND COULD BE AS  
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PAGE 02 OTTAWA 01656 280154Z

HIGH AS 68 PERCENT BY 1990; THAT THE REQUIREMENT OF

\$180 BILLION (1975 DOLLARS) WORTH OF MANPOWER AND MATERIALS OVER THE NEXT 15 YEARS TO PROVIDE ADDITIONAL DOMESTIC ENERGY SUPPLIES WOULD STRAIN THE ECONOMY AND RECOURSE TO NEEDED FOREIGN CAPITAL COULD LEAD TO CONFLICTS WITH GOC'S CANADIAN OWNERSHIP AND PARTICIPATION OBJECTIVES; AND THAT MOVEMENT TOWARD INTERNATIONAL PRICE LEVELS HAS PROFOUND IMPLICATIONS FOR THE ANTI-INFLATION PROGRAM. "...OUR MEDIUM-TERM SUPPLY/DEMAND SITUATION FOR ENERGY POSES SERIOUS POTENTIAL PROBLEMS, WHICH COULD ADVERSELY AFFECT STANDARDS OVER THE NEXT FIFTEEN YEARS. THE SUCCESSFUL RESOLUTION OF THESE PROBLEMS WILL REQUIRE GOVERNMENT INITIATIVES DIRECTED AT ENCOURAGING ENERGY CONSERVATION AND INTERFUEL SUBSTITUTION".

3. IN FINALS SECTION OF PAPER, GOC ANNOUNCES THAT IT HAS ADOPTED "ENERGY SELF-RELIANCE" AS THE OVERALL OBJECTIVE OF THE NATIONAL ENERGY STRATEGY. "WE DO NOT NECESSARILY WANT TO ELIMINATE OIL IMPORTS. WE DO WANT TO REDUCE OUR VULNERABILITY TO ARBITRARY CHANGES IN PRICE OR PROLONGED INTERRUPTIONS IN SUPPLY. THIS WE CAN ACCOMPLISH: FIRST, BY REDUCING OUR OIL IMPORTS TO THE GREATEST EXTENT POSSIBLE AND DESIRABLE IN THE CONTEXT OF OUR GENERAL ECONOMIC, ENVIRONMENTAL AND SOCIAL OBJECTIVES; SECOND, BY ENSURING THAT WE MAINTAIN A DEGREE OF EMERGENCY PREPAREDNESS SUFFICIENT TO WITHSTAND POSSIBLE SUPPLY CURTAILMENTS WITH MINIMAL ECONOMIC AND SOCIAL CONSEQUENCES." IN ADOPTING "SELF-RELIANCE", PAPER SPECIFICALLY REJECTS CONCEPT OF "SELF-SUFFICIENCY", NOTHING THAT WHILE IT MIGHT BE DESIRABLE, IT IS CLEARLY NOT A REALISTIC OBJECTIVE IN THE NEXT TEN YEARS, NOR A SURE POSSIBILITY EVEN IN 15 YEARS. "THE PROBLEM WITH SELF-SUFFICIENCY IS THAT IT FAILS TO RECOGNIZE A FUNDAMENTAL FACT OF LIFE, THAT IS THAT THIS POLICY CHOICE IS NOT REALLY OPEN TO US AT THIS TIME FOR A NUMBER OF TECHNICAL, ECONOMIC AND SOCIAL REASONS". (REASONS SUBSEQUENTLY CITED PRIMARILY INVOLVE HIGH COSTS OF ACHIEVING ENERGY SELF-SUFFICIENCY.)

4. SPECIFIC GOC "TARGETS" OF NEW "NATIONAL ENERGY  
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PAGE 03 OTTAWA 01656 280154Z

STRATEGY" ARE SPECIFIED AS FOLLOWS:

A. TO MOVE DOMESTIC OIL PRICES TOWARDS INTERNATIONAL LEVELS; AND TO MOVE DOMESTIC PRICES FOR NATURAL GAS TO AN APPROPRIATE COMPETITIVE RELATIONSHIP WITH OIL OVER THE NEXT TWO TO FOUR YEARS.

B. TO REDUCE THE AVERAGE RATE OF GROWTH OF ENERGY USE

IN CANADA, OVER THE NEXT TEN YEARS, TO LESS THAN 3.5 PERCENT PER YEAR.

C. TO REDUCE NET DEPENDENCE ON IMPORTED OIL IN 1985 TO ONE-THIRD OF TOTAL OIL DEMANDS.

D. TO MAINTAIN SELF-RELIANCE IN NATURAL GAS UNTIL SUCH TIME AS NORTHERN RESOURCES CAN BE BROUGHT TO MARKET "UNDER ACCEPTABLE CONDITIONS".

E. TO DOUBLE, AT A MINIMUM, EXPLORATION AND DEVELOPMENT ACTIVITY IN THE FRONTIER REGIONS OF CANADA OVER THE NEXT THREE YEARS, UNDER ACCEPTABLE SOCIAL AND ENVIRONMENTAL CONDITIONS.

5. OTHER "TARGETS" WITH POSSIBLE IMPLICATIONS FOR U.S. INCLUDE "GUIDELINES WITH REGARD TO CANADIAN CONTENT IN RESOURCE-RELATED ACTIVITIES IN CANADA LANDS, PARTICULARLY WITH RESPECT TO ENGINEERING AND PROJECT MANAGEMENT AT THE DEVELOPMENT STAGE".

6. EMBASSY INFORMED THAT CANADIAN EMBASSY IN WASHINGTON HAS BEEN SUPPLIED WITH NUMBER OF COPIES OF ENERGY STRATEGY PAPER FOR DISTRIBUTION TO DEPARTMENT AND OTHER WASHINGTON AGENCIES.  
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